GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3356
ANSWERED ON:05.08.2016
Dividend paid by Companies
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government has received complaints about many companies refusing to pay dividend and if so, the details thereof;

(b) the action taken or proposed to be taken by the Government against them; and

(c) the details of action taken by the Government against the use of the controversial participatory notes investment system?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a) & (b): A company is empowered to take decision on payment of dividend, or otherwise, as per Section 123 of the Companies Act, 2013. Government of India has no role to play in the matter.

Securities and Exchange Board of India (SEBI), the securities markets regulator, has informed that it has not received any specific complaints about listed companies refusing to pay dividend. However, SEBI has amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, with effect from 8th July, 2016, whereby the top 500 listed companies (by way of market capitalization) are required to formulate and disclose their dividend distribution policies in their annual reports and on their websites. The listed entities other than top 500 listed entities, based on market capitalization, may disclose their dividend distribution policies on a voluntary basis in their annual reports and on their websites.

(c): In order to ensure transparency, SEBI has been constantly tightening norms for taking exposure in Indian Capital Markets through Offshore Derivative Instruments (ODI)/Participatory Notes (PN) route. Some of the recent steps taken by SEBI are as follows:

(i) Under the SEBI (Foreign Portfolio Investors (FPI)) Regulations, 2014, which became operational from 1st June, 2014, only category-I FPIs (which are Government and Government related investors) and category-II FPIs (which are appropriately regulated) can issue and subscribe to ODIs.

(ii) Regulatory arbitrage was eliminated by aligning the eligibility and investment norms between subscription through ODI route and FPI regime, vide SEBI's Circular dated 24th November, 2014.

(iii) Recently, vide Circular dated 10th June, 2016, SEBI has further tightened the provisions for Know Your Client (KYC) norms for ODI subscribers, transferability of ODIs, reporting of suspicious transactions, periodic review of systems and ODI reporting format. ODIs can now be transferred only to persons in accordance with Regulation 22(1) of SEBI (FPI) Regulations, 2014, and prior consent of the FPI needs to be obtained for such transfer. Required changes in the SEBI (FPI) Regulations, 2014 were carried out on 8th July, 2016.

(iv) Further, vide SEBI's Circular dated 29th June, 2016, it was specified that existing unregulated funds with appropriately regulated Investment Managers will not be allowed to take fresh positions in ODIs. The existing positions may continue till 31st December, 2020 or till the expiry of the ODI instrument, whichever is earlier.

Consequent to the steps taken by SEBI, the Notional Value of outstanding PNs on Equity, Debt and Derivatives as a percentage of Assets Under Custody of all FPIs has reduced from 10.5% in January 2016 to 8.8% in June 2016.

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